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REPORT OF THE SECRETARY-GENERAL ON THE ACTIVITIES OF THE OFFICE OF INTERNAL OVERSIGHT SERVICES

Note by the Secretary-General

1. Pursuant to General Assembly resolution 49/228 of 23 December 1994, I have the honour to transmit for the attention of the General Assembly the annexed report, conveyed to me by the Under-Secretary-General for Internal Oversight Services, on the review of the management structure in the civilian staff component of the United Nations Peace Forces (UNPF).

2. The review by the Office of Internal Oversight Services followed an internal review of the UNPF management structures initiated by the Department of Peace-keeping Operations and my Special Representative. That internal review identified a number of critical management issues and several corrective measures were immediately introduced *in situ*.

3. I am gratified to note that the Office of Internal Oversight Services review expanded the scope of the UNPF internal review, and I share its analysis of the complexity of managing an operation the size of UNPF. United Nations operations in the former Yugoslavia have experienced multiple expansions and adjustments to their mandates over time; this has had a considerable impact on the scope and difficulty of their management. It was in this context that I appointed, on 1 July 1995, an Assistant Secretary-General for Management and Coordination of UNPF for the purpose of strengthening the mission's overall managerial capacity and internal control mechanisms. This appointment soon proved to be critical in meeting the additional challenges which subsequently arose in coordination of the transition to the Implementation Force (IFOR) of the North Atlantic Treaty Organization (NATO) and the establishment of three independent operations in the region.

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* A/51/150.

4. To implement the recommendations contained in the report, with which I fully concur, the Organization must be able to deploy to field missions the appropriate number of staff with requisite qualifications and experience, if not prior to the deployment of the various mission components, at least concurrently. In practice, however, there has always been a time lag of some months after the start of a mission before a sufficient complement of staff could be gathered to address the logistical and administrative support requirements, as well as the necessary control mechanisms. The reasons for this relate to the nature of peace-keeping operations, in that there is generally inadequate lead time for planning and preparation prior to adoption or expansion of a mission mandate. Furthermore, peace-keeping operations must compete for scarce human resources, particularly in those areas where United Nations experience and familiarity with the relevant rules, regulations and procedures are required, while also keeping in mind the need for the Organization to continue its regular programmes. Such was the case when the United Nations Protection Force (UNPROFOR) was established in March 1992 concurrently with the large operations in Cambodia and Somalia in March and April, respectively, of the same year, requiring the available resources to be spread among them all. Hence, the focus of attention should be on addressing the root causes of the identified problems, which involve the capacity of the Organization to provide to field missions in a t'mely manner the human resources they require.

5. Considerable efforts have been made in recent years to improve the Organization's professionalism and capacity to field peace-keeping operations. Numerous initiatives have been presented; 1/ many of them have been implemented and others are currently under discussion by the various legislative organs. Other initiatives are under active development within the Secretariat. These initiatives address most aspects of field operations, from financial to logistical to human resources, from the mission perspective as well as that of Headquarters. Lessons are clearly being learned from recent experience and substantial results have been achieved in their application. But only by distilling the problems to their essence and directing our efforts to their solution can we expect truly to enhance our overall capacity.

6. The ability to identify and deploy human resources to the field is, in my view, a crucial issue currently facing the Organization as it develops its capacity to conduct peace-keeping operations effectively while exercising appropriate controls. I have therefore directed both the Department of Administration and Management and the Department of Peace-keeping Operations to examine this situation and take appropriate steps to address it as a priority.

Notes

1/ See, for example, A/48/707, A/48/945 and Corr.1, A/49/936, A/50/965 and A/50/983.

ANNEX

Review of the management structure in the civilian staff component of the United Nations Peace Forces

Report of the Office of Internal Oversight Services

SUMMARY

A. Major conclusions

The United Nations Peace Forces (UNPF) was the most extensive and complex peace-keeping operation in the history of the United Nations. The Office of Internal Oversight Services recognized the constraints under which UNPF had to operate. It was only with the great dedication of its management and staff that UNPF was able to maintain the required level of operations. Nevertheless, the review disclosed a number of problems and weaknesses that could have been prevented. Owing to the magnitude and complexity of the operations, most of these weaknesses had considerable financial and other implications, which impacted on the ability of UNPF to fulfil its mandate.

One major conclusion was that the management of UNPF would have been more effective and could have saved significant resources if the management structure had been more appropriate. Another key conclusion was that frequent expansions and changes in the UNPF mandate made the establishment of adequate internal controls even more important. Better internal control systems would have contributed to more efficient operations within UNPF. They would have enabled the Administration to manage the financial, physical and human resources of the Organization in a more effective manner, as well as ensuring increased value for money. Thus, UNPF could have provided even better support to the missions in the former Yugoslavia.

The Office concluded that future peace-keeping missions should establish, at an early stage, an appropriate management structure with proper internal controls to allow efficient and effective management of operations. The reply from the Department of Peace-keeping Operations to the Office's audit report indicated that UNPF had taken a number of positive steps to correct problems and improve its operations. Its reply has been incorporated in the present report, where appropriate.

B. Recommendations - lessons learned

Given that UNPF is now in the process of liquidation, the recommendations of the Office address future peace-keeping missions as lessons learned. Those recommendations follow:

Recommendation 1: Establishing an appropriate management structure is essential. Future peace-keeping operations should provide adequate decision-making processes and adequate delegation of authority and

accountability. To this end, the management structure must be appropriate to the size and complexity of the mission.

Recommendation 2: Establishing adequate internal controls at an early stage is a key requirement. Future peace-keeping missions should establish adequate internal controls at the beginning of the operation to provide reasonable assurance that financial and administrative matters are properly handled. The Department of Peace-keeping Operations should ensure that:

(a) Internal controls are a part of the planning stage of the missions;

(b) Chief administrative officers are given clear and unambiguous terms of reference that spell out their responsibilities for establishing and monitoring internal controls;

(c) Internal control systems of peace-keeping missions are regularly reviewed and adequately documented.

Management of future peace-keeping missions should also ensure that:

(a) Line managers are instructed as to their responsibilities regarding internal controls;

(b) Internal controls set in place are communicated to the staff concerned.

Recommendation 3: Sound planning is a pre-requisite for efficient and effective operations. All those involved in peace-keeping missions should pay close attention to the need for planning, ranging from overall planning strategy, missions planning, mission statements and work plans to contingency planning.

Recommendation 4: Future peace-keeping missions should be organized in a manner that enables them to cope with frequent operational changes. Frequent restructuring of offices and reporting relationships affected the operational efficiency of UNPF. The Department of Peace-keeping Operations should review the basis and methodology for establishing the staffing requirements of peace-keeping missions. Management of future peace-keeping missions should:

(a) Establish accurate staffing tables reflecting all authorized posts, and ensure that all staff are provided with job descriptions and functional titles that properly reflect their actual functions and duties;

(b) Ensure that the organizational structure provides for clear reporting lines, appropriate division of labour and segregation of duties among offices and sections.

Recommendation 5: Creation of a stronger management capacity at peace-keeping missions is crucial.

(a) The appointment of qualified officials for the positions of Chief Administrative Officer and other key functions is essential for the efficient and effective management of peace-keeping operations. United Nations Headquarters should provide full support in this regard;

(b) Training programmes for peace-keeping missions should be continued. In particular, they should be developed to enhance managers' and administrators' knowledge about internal controls. The Department of Peace-keeping Operations should also develop a stronger management analysis capability to provide policy analysis and guidance.

Recommendation 6: Appropriate guidance and direction is required at different levels of management (United Nations Headquarters, mission headquarters and field level). The Department of Peace-keeping Operations should:

(a) Finalize the Field Administration Manual and other relevant manuals;

(b) Standardize procedures for areas common to all missions and ensure that future peace-keeping missions institute mission-wide operating procedures in the areas of budgeting, finance, field administration, procurement, contract administration and property management;

(c) Direct and guide peace-keeping missions in the development of standard operating procedures covering relevant areas of administrative and logistical support operations;

(d) Ensure that appropriate delegations are provided on a timely basis.

Recommendation 7: Monitoring should be a part of management of peace-keeping operations. Monitoring and documenting of internal control systems and procedures should be developed to assist future peace-keeping missions in achieving their objectives. Monitoring is also essential to prevent and detect breaches of procedure and irregular activities.

I. INTRODUCTION

1. The General Assembly, in its resolution 49/228 of 2 December 1994, requested that the Office of Internal Oversight Services conduct an independent and thorough review of the management structure in the civilian staff component of the United Nations Peace Forces (UNPF) which at that time, was called the United Nations Protection Force (UNPROFOR).

2. In response to that request, a management audit team of the Office visited Zagreb from April to June 1995. The resulting audit report was issued to the Department of Peace-keeping Operations. Where appropriate, the report also reflected findings and observations made by subsequent audit teams and resident auditors.

3. UNPF became the biggest and most complex ever peace-keeping operation carried out by the United Nations. In 1994, the consolidated UNPF budget was more than US$ 2 billion. The consolidated strength increased to more than 58,000 military personnel and more than 1,000 civilian police. To support the maximum authorized strength, more than 6,600 civilian personnel were authorized (1,027 international staff, 3,577 local staff, 555 United Nations volunteers and 1,500 international contractual personnel).

II. OBJECTIVES AND SCOPE OF REVIEW

4. The achievement of the Mission has been evaluated and assessed by legislative organs. The present report addresses the economy, efficiency and effectiveness of UNPF in managing its operations. The objectives of the review were to determine whether the management structure of the civilian component was appropriate in providing the necessary support service to UNPF, to assess the adequacy of management systems and internal controls and to ascertain whether the use of United Nations resources (human, physical and financial) was adequately planned, organized, directed and monitored, and whether value for money was achieved.

5. The audit was conducted in accordance with professional internal auditing standards, internal control standards and generally accepted management principles. The audit team reviewed pertinent UNPF policies and procedures and files, documentation and data on the organizational structure and budget, financial transactions, inventory, procurement, personnel matters and job descriptions. It also reviewed internal control procedures and monitoring processes, and conducted interviews with senior and middle managers of UNPF services. Interviews were also conducted with senior managers of the Department of Peace-keeping Operations.

6. The review focused on the UNPF Division of Management and Administration, which comprised 88 per cent of all civilian staff in the Mission and encompassed all administrative and support activities.

III. MAJOR FINDINGS AND RECOMMENDATIONS

7. In reviewing the UNPF management of operations, the Office of Internal Oversight Services recognized the constraints under which UNPF management had to operate and those factors outside its control. These included changing mandates and constant uncertainties in the Mission, delays in budgetary authorization, delays in issuing budgetary allotments, cumbersome and inflexible procurement procedures, lack of experienced United Nations staff, frequent rotation of military personnel, difficulty in integrating military and civilian components and intractability of some local authorities with respect to their obligations under the various status of forces agreements.

8. These factors affecting the management of the Mission were outside the control of UNPF and very difficult to overcome. For future peace-keeping missions, the aforementioned obstacles should be anticipated and solutions identified that would assist the missions to meet the operational requirements. However, these issues and problems reinforce the need for a more appropriate management structure and more reasonable assurance for internal controls to achieve effective management of operations.

9. In order to illustrate the weaknesses of management structure and lack of internal controls, the present report provides examples that were drawn from various audit observations. It is noted, however, that a number of measures have already been taken or envisaged by UNPF and the Department of Peace-keeping Operations to implement many of the recommendations or correct the issues addressed in the observations.

A. Overall evaluation of the UNPF structure

10. The management structure should provide the appropriate organizational framework for decision making, identification of the reporting lines and designated areas of responsibility and accountability. It is the overall responsibility of the Director of Administration to propose an appropriate management structure and to implement it.

Evolution of the UNPF structure

11. Since the beginning of the Mission, UNPF had four Chief Administrative Officers (the last two having the title of Director of Administration). It was during the tenure of the second Chief Administrative Officer (1992-1995) that the major expansion took place in UNPF operations. During that period, UNPF had to develop an appropriate management structure to be able to cope with its complex operations. The structure developed during that period had a great impact on UNPF operations.

12. This structure was characterized by a large centralized Office of the Chief Administrative Officer comprising 184 staff members who performed not only support and advisory functions, but also line functions such as budgeting, administration of international contractual personnel, human resources planning, management training, information technology and management review.

13. In the opinion of the Office of Internal Oversight Services, this highly centralized management structure did not provide an appropriate framework for decision-making. The structure caused delays in operational actions taken by line managers. For example, many of the routine decisions and actions by line managers such as the Chief Finance Officer, Chief Procurement Officer and Chief Civilian Personnel Officer were forwarded to the Chief, Administrative Services, and then to the Chief Administrative Officer for approval. This cumbersome process hampered the efficient operation of UNPF.

Changes in management structure

14. In March 1995, the new Director of Administration restructured management functions and reduced the size of his Office. A number of functions formerly in the Office of the Chief Administrative Officer were abolished or transferred to the relevant services and sections. This restructuring resulted in the down-sizing of the Office of the Director of Administration from 184 to 24 staff members. Secondly, he also attempted to decentralize the management structure by delegating responsibility to the service chiefs. In our opinion, this decentralization was a beneficial move towards improving the overall management and day-to-day running of the Mission.

15. When the Mission was split into three missions (namely, United Nations Confidence Restoration Operation in Croatia (UNCRO); UNPROFOR; and United Nations Preventive Deployment Force (UNPREDEP)), the Director of Administration was given the additional responsibility of ensuring the coordination of all theatre administrative and logistic support operations (see para. 43). After his departure in July 1995, an Assistant Secretary-General for Management and Coordination was appointed in August 1995, who brought about additional changes in the UNPF management structure (see para. 50).

> Recommendation 1: Establishing an appropriate management structure is essential. Future peace-keeping operations should provide adequate decision-making processes and adequate delegation of authority and accountability. To this end, the management structure must be appropriate to the size and complexity of the mission. (AM96/054/001)

16. The Office noted, however, recent efforts made by the Department of Peace-keeping Operations to introduce a standard management structure in peace-keeping missions and establish it more rigorously at the field level.

B. Assessment of internal controls at UNPF

17. Internal controls are the established procedures and systems whereby management may obtain reasonable assurance that specified goals and objectives are being achieved. In establishing internal controls, it is essential to follow internal control standards for documentation, execution and recording of transactions, segregation of duties and supervision. The Office's overall assessment is that these standards were not consistently applied in a number of areas of UNPF operations, including organizational control, inventory control, authorization and approval and accounting control.

18. Areas in which better internal controls would have led to improvements in management are described below:

(a) More adequate provision of instructions by the Finance Section at UNPF Headquarters to the sector Finance assistants on the handling of petty cash and imprest accounts would have ensured better control over cash funds in sectors;

(b) More adequate controls over procurement specifications would have resulted in better value for money by ensuring that the items purchased better met the requirements of the Mission. This would have, for example, prevented the purchase of mobile cranes that did not entirely meet users' needs, resulting in the preference to use cranes that had been rented instead of the purchased ones;

(c) Better controls in the management of major contracts would have ensured that the specifications were met. For example, while reviewing the delivery of fresh produce, the Office observed that it did not meet contract specifications and that monitoring by the staff concerned was not adequate;

(d) Better controls over the review and certification of invoices could have prevented overpayment to suppliers (for example in the case of fuel contracts) and detected cases of fraudulent activity;

(e) More rigorous collection efforts over accounts receivable and advances could have prevented them from being outstanding for an excessive period of time. As of 31 March 1996, almost $4 million (54 per cent of the total receivable balance) remained outstanding for over one year;

(f) Better accounting procedures could have provided more timely and accurate information on accounting transactions. This was demonstrated in the Office's review of the imprest account showing a negative cash-on-hand balance of over $1 million, which was not possible. Recently, however, UNPF was able to make some arrangements to correct negative balances in the accounting records.

19. Adequate internal control procedures could significantly expedite the liquidation process. The Office's review indicated that UNPF did not have adequate internal controls to ensure that information was accurate and available on a timely basis. At the time of liquidation of the Mission, some problems became visible, which are illustrated in the following examples:

(a) More timely review and accurate assessment of contingent-owned equipment listed on in-survey reports by contingents would have resulted in significant reduction of the value of in-surveys. In fact, as a result of an audit observation, the value of this equipment listed in in-surveys was reduced by approximately $7 million in the case of one engineering battalion. This prevented the over-reimbursement to the troop contributing nation by the United Nations. It was noted, however, that, as from July 1996, new arrangements had been made for leasing contingent-owned equipment from the troop-contributing nations, that will require prior approval by the Department of Peace-keeping Operations. This could reduce many of the problems observed in this area;

(b) Better reporting of United Nations-owned equipment and proper reconciliation of movements of equipment within the Mission could have expedited the liquidation procedures. In addition, the provision of more accurate pricing information by the certifying officer on expendable and non-expendable equipment and supplies would have facilitated more timely preparation of invoices by the Procurement Section;

(c) More timely settlement of unliquidated obligations could help to reduce the time required to close the accounting records for the Mission. Prompt settlements of outstanding claims would have minimized litigation by third parties.

20. The Office's audit disclosed that better internal controls at UNPF would have enabled management to gain assurance that financial and administrative procedures were completed timely and accurately. The reply of the Department of Peace-keeping Operations indicates, inter alia, that measures had been taken to correct problems or improve management and operations. With regard to internal controls, however, these measures were of an ad hoc nature and did not bring significant changes to the internal control environment (see also para. 51). This reconfirms the Office's view that internal controls must be established at the initial planning phase of the Mission in order to obtain the desired results during the Mission's life.

Recommendation 2: Establishing adequate internal controls at an early stage is a key requirement. Future peace-keeping missions should establish adequate internal controls at the beginning of the operation to provide reasonable assurance that financial and administrative matters are properly handled. The Department of Peace-keeping Operations should ensure that:

(a) Internal controls are a part of the planning stage of the missions;

(b) Chief administrative officers are given clear and unambiguous terms of reference that spell out their responsibilities for establishing and monitoring internal controls;

(c) Internal control systems of peace-keeping missions are regularly reviewed and adequately documented.

Management of future peace-keeping missions should also ensure that:

(a) Line managers are instructed as to their responsibilities regarding internal controls;

(b) Internal controls set in place are communicated to the staff concerned. (AM96/054/002)

C. Observations on the execution of UNPF functions

21. Following are the observations of the Office on how well UNPF exercised its major management functions, namely: planning, organizing, directing and monitoring of UNPF operations.

1. Planning and strategy

22. The importance of planning has been recognized in a number of relevant United Nations documents. b/ At the mission level, planning should encompass both strategic and operational plans. At the working level, periodic work plans should also be developed for each service and section, defining goals and tasks, identifying who is responsible for implementing the plan and establishing the time frame for completion.

23. Our review showed that much better planning at the working level was required in almost all management areas of UNPF. The following are examples:

(a) Better planning by UNPF line managers in identifying required goods and services and closer coordination with the Procurement Section could have prevented a number of purchases being made in excess of requirements. For example, almost 900 generators were purchased by UNPF, at the cost of approximately $6 million, that were never used. Then there was the purchase of protective clothing and civilian uniforms, which cost the Organization millions of dollars. At the end of the Mission, more than 50 per cent of the goods still remain in stock. In addition, the necessity for using civilian uniforms for security purposes could be questioned. The Office believes that the same objectives could have been achieved by more economical means. Further, delays in procurement necessitated many purchases without the necessary authority and this resulted in frequent ex post facto approvals by the Local Committee on Contracts;

(b) Better planning and coordination in developing management information systems could have precluded the use of incompatible systems (e.g., REALITY procurement system and SUN accounting system) and the consequent duplication of work;

(c) Better planning and coordination for receipt of equipment transferred from the United Nations Transitional Authority in Cambodia (UNTAC) could have ensured that receipt, inspection and testing were done on a timely basis;

(d) Better planning in handling unliquidated obligations could have reduced the backlog that remained open for several mandate periods. Better planning could also have reduced the payment of subsistence allowances in cash, thus limiting the risks associated with holding large quantities of cash;

(e) Better planning in human resources management by both UNPF and Headquarters could have kept the high turnover of staff and the frequent movement of personnel in managerial positions to a minimum;

(f) Better planning and coordination for the procurement of goods and materials could have prevented excessively high transport costs for items that could have been purchased locally (as was the case in transporting low value supplies to UNPREDEP).

Recommendation 3: Sound planning is a prerequisite for efficient and effective operations. All those involved in peace-keeping missions should pay close attention to the need for planning, ranging from overall planning strategy, missions planning, mission statements, and work plans to contingency planning. (AM96/054/003)

2. Organizing

Organizational structure

24. UNPF produced a number of organizational charts for the Division of Management and Administration, but they were changed so frequently that it was difficult to ascertain the structure of the Division at any point in time.

25. Another problem was that none of the organizational charts were officially approved by the Department of Peace-keeping Operations or UNPF, indicating a lack of organizational control. The documents made available to the audit team did not clearly indicate the functions of the units and offices within the Division of Management and Administration. The Office believes it essential that the organizational structure of any peace-keeping mission be properly reviewed and approved.

26. The Office also noted that the UNPF organizational structure was not developed in accordance with relevant standards and nomenclature. Inconsistencies existed in the use of organizational nomenclature. As a result, the span of control of the UNPF divisions differed extensively. For example, while the Division of Management and Administration had more than 5,000 staff members, the Division of Civil Affairs had 426 and the Division of Information had 162 staff (many positions were left vacant), all of them being headed by Directors at the D-1 or D-2 level.

Chain of command/reporting lines

27. The chain of command should always be as straight forward as possible. At UNPF, civil affairs, military forces, military observers, civilian police and management and administration components had separate lines of authority. As a result, the chain of command was not always clear throughout the missions and sectors making up UNPF.

28. At the field level, military and civilian components were completely separate entities with parallel structures and appropriate reporting lines, on one hand. On the other hand, administrative and logistical support staff in the sectors (e.g., finance, personnel, procurement, communications, engineering and transport) reported directly to their respective offices at UNPF headquarters with regard to policy guidance and direction. However, when the new missions

were formed in mid-1995, sector administrative officers reported to the mission administrative officers who, in turn, reported to the Division and the Director of Administration.

Staffing table

29. A basic tool in managing human resources is a staffing table establishing authorized posts. At UNPF, however, the Office noted that there had been no post management as such, and the staffing table had not been accurately maintained. This could be attributed to several factors. First, owing to the shortage of United Nations staff, UNPF had to use international contractual personnel to perform the functions of the authorized posts, which led to some confusion regarding posts and persons. As a result, the management structure was rather unstable. Secondly, many posts did not have official job descriptions (particularly service chiefs). By mid-1995, the Director of Administration had successfully established a staffing table reflecting the actual situation.

Duplication and overlapping of functions

30. The management structure should have provided for a clear division of labour among the offices of UNPF. The Office noted several areas of UNPF operations where functions of different offices overlapped, with the potential for duplication of work. Salient examples were the Engineering Service's Materials Section and the Joint Movement Control Centre of the Integrated Support Service. Both of them were providing transport services, with each operating a separate fleet of trucks. Frequently, the Joint Movement Control Centre carried cargo on behalf of the Materials Section.

Need for segregation of duties

31. Ensuring segregation of duties among the functions of the offices is a basic element of internal control. The Office observed that a number of offices and functions were established without ensuring proper segregation of duties. Some examples are:

(a) Inventory control: The Property Control Unit of the Integrated Support Service was responsible for inventory control. This function should be exercised independently. However, this Unit reported to the Supply and Property Management Section, which was responsible for the requisition, receipt, storage, issuance, accounting and disposal of goods (except for accommodation, communications and engineering equipment). This lack of segregation of duties could have provided opportunities for fraudulent activities. As referred to in paragraph 50 (e), however, this has been corrected;

(b) Receiving and inspection function: The receiving and inspection function was performed by the Receiving and Inspection Unit, and the function of maintaining inventory control over United Nations-owned equipment was performed by the Property Control Unit. While these functions should have been segregated, the Receiving and Inspection Unit was reporting to the Property Control Unit. The Office has been informed, however, that this has since been corrected;

(c) Procurement function: Some sections had staff with the title "procurement officer" who were involved in procurement actions. This should be the responsibility of the Procurement Section. In addition, the Procurement Section delegated certain procurement activities to the requisitioning services, which in our view represented an improper segregation of duties. This could have provided opportunities for collusion between requisitioners and suppliers;

(d) Contracting and management of international contractual personnel: Given that the project on international contractual personnel entailed procurement exercises, the same problems occurred in contracting and management of this project. As was mentioned in the report of the Office of Internal Oversight Services to the General Assembly on this subject (A/49/914), there was a lack of proper segregation of duties at the initial stage of this project, since the unit in charge of the project, the Project Management Unit, was in the office of the Chief Administrative Officer (see also para. 12), who was also at that time the Chairman of the Local Committee on Contracts as well as the approving officer (see also subpara. (e) below);

(e) Local Committee on Contracts: Until October 1994, the Chief Administrative Officer was the Chairman of this Committee, which was neither in conformity with the Organization's procurement procedures nor in line with the principle of segregation of duties, since the Chief Administrative Officer was also the approving officer of the recommendations by the Committee. Without instituting proper control, such a situation created a conflict of interest. This was, however, corrected.

Integration of military and civilian personnel

32. While the military component's function was to perform operational activities and provide certain support services, the civilian staff in the Division provided most of the logistical and administrative support services. In order to ensure a high degree of accountability, civilian staff in support positions are responsible for exercising control in accordance with the United Nations rules and regulations. For the Mission to function effectively in providing support services, the military and civilian staff must cooperate closely.

33. At UNPF headquarters, some efforts were made to integrate civilian and military staff. For example, the Integrated Support Service achieved a degree of integration in many of its support activities. The Engineering Support Service, however, had difficulty bringing about integration. This created duplication of work and lack of coordination for both the military and civilian engineering components. During the first half of 1995, some progress was made towards integrating the engineering operations.

Inconsistent use of functional titles

34. Over 700 functional titles were used at UNPF, and many inconsistencies existed in their usage. Functional titles were established without applying the United Nations standards for classification. This was particularly the case with regard to the titles used for international contractual personnel, which were developed outside the control of the Office of Human Resources Management.

In addition, at least 26 "Deputy" positions were established at all levels of UNPF using this functional title for positions that according to United Nations standards did not justify a Deputy position. The Office has been informed by the Department of Peace-keeping Operations that all "Deputy" titles were abolished in mid-December 1995.

Other staffing issues

35. Use of special post allowances: Many UNPF staff were given functions and assignments that had higher levels of responsibilities than their own grade. This resulted in many UNPF posts being filled by staff members with lower grades under special post allowances. In fact, a number of Professional posts were filled by General Service staff on special post allowances. The United Nations staff in the Mission were also given assignments that were in many cases substantially different from those they were performing at their previous office. This practice did not contribute to effective management. The Office recognizes that many staff members proved their ability to perform at a higher-level post. As a widespread practice, however, the filling of higher-level posts with staff of lower grades and different professional backgrounds may require reconsideration.

36. Lack of continuity in staffing: While frequent rotation of military personnel was beyond management's control, the lack of continuity in staffing was demonstrated by high turnover of managers and staff, including sector administrative officers. In the case of the Belgrade Liaison Office, the post of sector administrative officer changed hands 11 times in 26 months, with the exception of the current officer who has been in charge since March 1995. Frequent restructuring of offices and reporting lines also added to the lack of continuity. In addition, some key posts were often left vacant, including the post of the Director of Administration.

37. Overstaffing/better use of posts: In the Office's estimation, the staffing levels of UNPF at the time of the Office's review were too high, taking into consideration the number of positions authorized for international contractual personnel. In the case of the Engineering Support Service, for example, the estimates were made on the basis of the ratio of engineering staff to military personnel. In the Office's opinion, a significant number of these personnel assumed functions that could be readily carried out by locally recruited staff at a far lower cost. In addition, as noted in paragraphs 12 and 34, a number of posts were used for staff functions either in the Office of the Director of Administration or to support managerial positions. Better use of posts by delegating authority would have contributed to a more efficient operation.

Recommendation 4: Future peace-keeping missions should be organized in a manner that enables them to cope with frequent operational changes. Frequent restructuring of offices and reporting relationships affected the operational efficiency of UNPF. The Department of Peace-keeping Operations should review the basis and methodology for establishing the staffing requirements of peace-keeping missions. Management of future peace-keeping missions should:

(a) Establish accurate staffing tables reflecting all authorized posts, and ensure that all staff are provided with job descriptions and functional titles that properly reflect their actual functions and duties;

(b) Ensure that the organizational structure provides for clear reporting lines, appropriate division of labour and segregation of duties among offices and sections. (AM96/054/004)

3. Directing

Direction from United Nations Headquarters

38. The Department of Peace-keeping Operations and the Department of Administration and Management should be in a position to provide support and backstopping for peace-keeping missions. More adequate management guidance and support from them would have contributed to the economy, efficiency and effectiveness of UNPF operations. United Nations Headquarters should provide the following:

(a) Policy direction and guidance: At UNPF headquarters, only some services and sections had developed standard operating procedures. In some cases, established procedures were not sufficiently detailed or were not appropriate. In other cases, established procedures were not properly applied by line managers, nor were the procedures in different sectors consistent. Since most peace-keeping missions entail common activities, the Office believes that standard operating procedures should be developed by Headquarters and adopted for the various missions as required. This would ensure more uniform and consistent operating procedures, thereby limiting the number of instances where operating procedures had to be devised in an ad hoc manner. They could also have assisted the Mission in adhering to policies and regulations. In this regard, strengthening management capacity is crucial. The Office understands that recently initiatives were undertaken by Headquarters to introduce roving finance officers and management review officers in the field to review and monitor management of peace-keeping operations (see also para. 48). In the Office's view, this is a step in the right direction;

(b) Provision of United Nations staff: United Nations Headquarters should intensify its efforts to ensure the availability of experienced senior United Nations staff for key functions in peace-keeping missions and recruit sufficient numbers of qualified support personnel. Since the outset, UNPF had to manage its operations with a very limited number of experienced United Nations staff. United Nations Headquarters should also ensure that such staff take up their assignments on a timely basis in order to establish appropriate systems and procedures in the missions;

(c) Training: Lack of knowledge and understanding of United Nations operations was observed in a number of areas. The limited management experience of UNPF managers and supervisory staff did not contribute to the proper application of United Nations policies and procedures, or the establishment of internal controls. In future peace-keeping missions, managers in particular should be trained in the design and implementation of internal controls in order

to ensure the establishment of a proper control environment throughout the mission.

Delegation of authority at UNPF

39. Delegation of authority is necessary at different levels such as: from United Nations Headquarters to UNPF headquarters, from the Director of Administration to services and sections, from UNPF headquarters to the missions and from the missions to sectors and local commands.

40. The Office's review indicated, however, that certain delegations of authority within UNPF compromised the ability to ensure proper segregation of duties. One example was that receiving units were permitted to perform the receiving function and the preparation of inspection reports, as mentioned in paragraph 31 (b), which compromised the requirement for segregation of duties.

41. In another instance, owing to a shortage of staff in the Procurement Section, procurement authority involving tendering procedures for systems contracts was delegated to the Engineering Support Service. Under the guidelines prepared by the Chief Procurement Officer, heavy reliance was placed on engineering staff in the sectors to undertake procurement actions on behalf of the Procurement Section, which included: inviting tenders, receiving and recording the tenders and rejecting tenders from companies they had previously invited to bid. While the Department of Peace-keeping Operations maintains that these procedures were monitored by the Procurement Section, the Office's examination of documents indicated that this was inadequate to prevent the over-riding of a key internal control mechanism.

Field-level coordination

42. At the sector level, the Director of Administration was represented by a sector administrative officer. This function was particularly important for accomplishing an effective field support structure. However, the Office's field visits disclosed that sector administrative officers were not in a position to exert adequate supervisory control over the various sector administrative and logistical support personnel. The reasons for this were: (a) the various chiefs in the sectors reported directly to the section chiefs at UNPF headquarters; (b) very little authority was delegated to sector administrative officers by UNPF headquarters (see para. 28); and (c) most of the sector administrative officers were international contractual personnel rather than regular United Nations staff members.

43. This problem was reduced when the Mission was split into independent missions in mid-1995. At that point, the Director of Administration was given an increased role in coordinating theatre-wide administrative and logistic support of command operations. To support this new role, administrative officers were appointed for each of these missions, who reported to the Director of Administration and were given greater authority than sector administrative officers. The Office was informed that, since October 1995, the sector administrative officers had been reporting to the Missions' administrative

officers. The Office believes, however, that the role of the Missions' administrative officers was not properly defined or implemented since sector officials still reported directly to their service chiefs at UNPF headquarters.

Recommendation 5: Creation of a stronger management capacity at peace-keeping missions is crucial:

(a) The appointment of qualified officials for the position of Chief Administrative Officer and other key functions should be essential for the efficient and effective management of peace-keeping operations. United Nations Headquarters should provide full support in this regard.

(b) Training programmes for peace-keeping missions should be continued. In particular, they should be developed to enhance managers' and administrators' knowledge about internal controls. The Department of Peace-keeping Operations should also develop a stronger management analysis capability to provide policy analysis and guidance. (AM96/054/005)

Recommendation 6: Appropriate guidance and direction is required at different levels of management (United Nations Headquarters, mission headquarters and field level). The Department of Peace-keeping Operations should:

(a) Finalize the Field Administration Manual and other relevant manuals;

(b) Standardize procedures for areas common to all missions and ensure that future peace-keeping missions institute mission-wide operating procedures in the areas of budgeting, finance, field administration, procurement, contract administration and property management;

(c) Direct and guide peace-keeping missions in the development of standard operating procedures covering relevant areas of administrative and logistical support operations;

(d) Ensure that appropriate delegations are provided on a timely basis. (AM96/054/006)

4. Monitoring

44. There has been little systematic monitoring and assessment of UNPF operational performance by the UNPF senior managers. In the Office's view, the Mission's senior managers should have ensured regular and rigorous monitoring of their area of responsibility. The Office observed that, in many cases, management had instituted few controls and did not adequately monitor performance of staff. More adequate monitoring of the activities and performance of line staff would have resulted in better management and more efficient operations.

45. An example to illustrate this point is the case of the snack bar operations, located at Headquarters, Pleso camp and Hotel Novogradnja. The

Office found that both the Chief, General Services Section, and his line manager the Chief, Catering Service Unit, had virtually no information on the operations or which internal control procedures were in place for an operation entailing annual cash receipts of approximately $350,000. This indicates that there was no monitoring of the operational activity, which entailed substantial financial risks to UNPF. Another example was the weak management of two system contracts for the purchase of spare parts for photocopiers. This resulted in these contracts, initially valued at $135,000, being exceeded by approximately $374,000. Subsequently, the contract had to be submitted to the Local Committee on Contracts for ex post facto approval. In addition, over $90,000 of that amount was over-billed by the suppliers using prices much higher than those specified in the contract. A greater degree of monitoring by the responsible manager could have prevented such a mistake, since recording and certifying processes for these items were entailed.

46. Monitoring of internal controls is as important as establishing adequate internal controls. With the changing organizational structure of UNPF and greater delegation of authority to service and section chiefs, the monitoring of internal controls by management, line managers and individual staff members is critical. In the Office's view, recent initiatives undertaken to introduce management review officers in the field, as mentioned in paragraph 38 (a), will certainly contribute to enhancing monitoring of management performance and internal controls of peace-keeping operations in the field.

Recommendation 7: Monitoring should be a part of the management of peace-keeping operations. Monitoring and documenting of internal control systems and procedures should be developed to assist future peace-keeping missions in achieving their objectives. Monitoring is also essential to prevent and detect breaches of procedure and irregular activities. (AM96/054/007)

IV. SIGNIFICANT SUBSEQUENT EVENTS - ACTIONS TAKEN

47. Although the review focused on the management structure and organization in place as of mid-1995, the Office of Internal Oversight Services found it necessary to review and update significant events that occurred subsequent to this time. Therefore, audit observations made by audit teams from Headquarters, as well as audit observations issued by the Resident Auditor up until the current period, have been incorporated in this section of the report.

48. The period subsequent to the main field audit coincided with political events which resulted in: (a) the handing over of UNPF responsibility to the Implementation Force (IFOR) of the North Atlantic Treaty Organization (NATO) in Bosnia and Herzegovina; (b) the establishment of and transition to new missions in Croatia (United Nations Transitional Administration in Eastern Slavonia (UNTAES)) and in Bosnia and Herzegovina (United Nations Mission in Bosnia and Herzegovina (UNMIBH)); and (c) the preparation for the liquidation of UNPF. These events had a major impact on the organization of UNPF and were the main preoccupation of UNPF during this period.

49. The appointment of the Assistant Secretary-General for Management and Coordination in August 1995 (see para. 15) was another significant event which constituted a major departure from the previous management strategy, for regardless of the size of the mission, the traditional head of its administration had been the Director of Administration. The terms of reference of the Assistant Secretary-General, which were originally intended for the continuation of the Mission as an ongoing entity, indicated that he was responsible, inter alia, for implementing internal controls within the Mission.

50. In the second half of 1995, several initiatives were taken that resulted in correction of situations or improvements in the overall management of the mission. According to the response of the Department of Peace-keeping Operations to the Office's audit report, key developments included:

(a) Streamlining the procedures for the Property Survey Board and the Board of Inquiry which resulted in quicker processing of claims;

(b) Review and approval of all cases brought before the Local Committee on Contracts by the Assistant Secretary-General;

(c) The commencement of negotiations with INA, the national fuel company, and the Government of Croatia for the refund of taxes charged on fuel purchases in contravention of the status of forces agreement;

(d) Closer coordination of security arrangements by consolidating all security services, both military and civilian under the direct supervision of the Assistant Secretary-General;

(e) Transferring certain units such as the Property Control Unit to the Office of the Director of Administration, thereby increasing segregation of duties of asset management;

(f) Closer coordination within the Division.

51. With regard to internal controls, however, the subsequent audit observations of the Office indicated that improvements did not materialize as envisaged. This was particularly the case for accounting and administrative controls. These are of particular importance in obtaining reasonable assurance that systems and procedures for the processing of payments and other matters with direct financial implications are reliable. The Office understands that the rapidly evolving changes in the Mission's mandate left little time for the review of internal controls. It may not have been meaningful and cost-effective to install internal controls at that time. Management, therefore, focused its efforts on the larger issues of handing over responsibility to IFOR as well as the complicated matter of providing planning and support for the new missions that were being established. Liquidating such a huge Mission was also a primary preoccupation of Management. While the function of the Assistant Secretary-General was established at a rather late stage in the life of the missions, the Office did, however, find that this function complemented and supplemented that of the Director of Administration.

52. After the signing of the General Framework Agreement (Dayton Accord), followed by the transfer of authority to IFOR on 20 December 1995, there was a very short time-frame for the United Nations to hand over responsibility to IFOR. It was also the first time in its history that the Organization was confronted with such a situation. Given that, under the Dayton Accord, there was no framework for the United Nations to deal with NATO, the United Nations had to deal individually with participating nations in IFOR. This complicated the transfer procedures. Therefore, it was understandable that the hand-over procedures were beset by problems, which included temporary transfer of United Nations-owned equipment to IFOR without adequate agreements and reconciliations of United Nations-owned equipment being held by contingents. In our view, inadequate agreements and lack of procedures resulted in certain financial risks to the Organization.

53. The valuable lessons learned and experiences gained by UNPF during the transition and pre-liquidation period should be carefully considered by the Department of Peace-keeping Operations and the Department of Administration and Management in order to ensure that they are applied to future peace-keeping missions. Such lessons should also serve as a guide in preparing policy manuals for peace-keeping missions.

(Signed) Karl Th. PASCHKE
Under-Secretary-General
for Internal Oversight Services

Notes

a/ Calculation based on the budget for the period from 1 July to 31 December 1995 (A/49/540/Add.3); 5,150 of the 5,855 civilian staff of UNPF, representing 88.0 per cent of total staff resources, come under the Division of Management and Administration.

b/ For example, the report of the Secretary-General on effective planning, budgeting and administration of peace-keeping operations (A/48/945); and the report of the Office of Internal Oversight Services on the in-depth evaluation of peace-keeping operations: start-up phase, E/AC.52/1995/2.